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SUBJECT: KUWAIT FUND SIGNS IRAQ SCHOOL CONSTRUCTION
CONTRACT BUT NO PROGRESS ON HEALTH AND POWER SECTOR PROJECTS

REF: A. KUWAIT 4905

[1](#)B. KUWAIT 4318

[1](#)C. KUWAIT 3850

[1](#)1. (SBU) Begin Summary. During a November 30 meeting with Econoff, the Kuwait Fund for Arab Economic Development's (KFAED) acting Regional Manager for Arab Countries, Abdullah Al-Musaibeeh, confirmed that KFAED signed a \$30M contract with a Kuwaiti firm to begin school construction in Iraq but that the remaining \$30M grant for health sector projects was still on hold pending an agreement on specific projects. He added that KFAED's \$440M concessional loan offer for power sector development was also on hold pending a formal appraisal of the ITG-proposed site. End Summary

[1](#)2. (SBU) Following the November 27 visit to Kuwait by the Iraqi Planning Minister Barham Saleh (reported in ref A), Econoff met with Abdullah Al-Musaibeeh, Acting Regional Manager for Arab Countries at KFAED for an update on pending GOK assistance (\$560M in grants and loans) in support of Iraqi health, education, and power sector development (reported in reftels).

Progress on \$30M School Construction Grant

[1](#)3. (SBU) Al-Musaibeeh confirmed that a contract had been signed last week with a Kuwaiti firm for the \$30M GOK grant to build approximately 40 schools in Iraq. Al-Musaibeeh provided Econoff with a summary of the agreement: The allocated grant amount is \$30M with the Iraqi Ministry of Education as the intended beneficiary. The contractors are Pan-Arab (Kuwaiti) and Al-Jarrah (Iraqi), working as part of a joint venture and selected from a pool of 20 qualified companies that bid on the tender. The initial \$930,171 of the grant would fund a design assessment, including terms of reference for the project. Al-Musaibeeh could not confirm an official start date for construction but pointed out that the total duration, as identified in the contract, is 32.5 months. The GOK (via KFAED) would be responsible for financing the entire project through the \$30M grant.

Agreement Still Pending on Disbursal of Health Grant

[1](#)4. (SBU) With regard to the remaining \$30M grant for health sector projects, Al-Musaibeeh explained that an agreement was still pending between the GOK and ITG on how best to allocate the funds. Echoing a KFAED refrain, Al-Musaibeeh explained that the GOK is not supportive of the ITG request to fund the construction of mobile clinics, preferring instead the original ITG proposal for a single surgical complex or some

other similar alternative. He added that KFAED "is waiting to hear from the Iraqi Ministry of Health" on potential alternatives and was not aware of any progress on this issue resulting from Minister Saleh's visit.

Power Sector Projects Pending Formal Appraisal

15. (SBU) Al-Musaibeeh noted that as with the discussions on health sector assistance, the GOK and ITG had yet to agree on the allocation of the \$440M concessional loan package. He said KFAED was not prepared to immediately approve the ITG request to allocate the full loan amount to a single thermal power station in northern Iraq. He said that the GOK offer was on hold pending a formal KFAED appraisal of the proposed site and that a three-member KFAED team, comprised of a legal, economic and engineering advisors, would have to travel to Iraq for at least 10 working days to conduct the appraisal. However, he pointed out that KFAED was unsure how to do an appraisal given the current security situation in Iraq. According to Al-Musaibeeh, the ITG has selected Siemens as the principal contractor for Iraq power sector projects.

16. (SBU) Al-Musaibeeh also referred to a letter sent recently to GOK Prime Minister Al-Sabah from the Iraqi Communications Minister requesting the GOK to allocate \$96M from the \$440M loan package as a grant to fund the purchase of fiber optic cables proposed by a prominent Kuwaiti company (Al-Sultan). Al-Musaibeeh explained that certain Iraqi ministries wrongly considered the \$440M loan package a grant. He noted that the request letter has been forwarded to Kuwaiti Foreign Minister Dr. Mohammed Al-Sabah for his review and that the Council of Ministers (cabinet) would probably refuse the ITG Minister's request.

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No GOK Funds Allocated Yet for New \$60M Grant

17. (SBU) Al-Musaibeeh explained that the Council of Ministers had not yet identified the funds for the additional \$60M grant announced in June to fund health, education and power sector projects in Iraq (refs B and C).

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